

MARKET UPDATE

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Asia FX falls on weak Chinese trade data.

Most Asian currencies fell on Tuesday as disappointing Chinese trade figures weighed on sentiment, while the dollar advanced amid uncertainty over the Federal Reserve and anticipation of key inflation readings this week.

Government data showed that both Chinese imports and exports shrank at their fastest pace since the 2020 COVID-19 pandemic, pointing to continued weakness in Asia's largest economy as it struggles to stimulate growth.

But the Chinese yuan strengthened 0.3%, aided largely by a stronger-than-expected daily midpoint fix from the People's Bank of China. Markets are also awaiting data on Chinese inflation on Wednesday, which is expected to have remained muted in July.

Most China-exposed currencies retreated on Tuesday, given that worsening trade conditions in China bode poorly for the broader Asian economy.

China-exposed currencies hit by weak trade data

The South Korean won shed 0.6% after the Chinese reading, while the Taiwan dollar lost 0.2%.

The Australian dollar, which is also highly sensitive to Chinese trade, sank 0.5% after the data, also coming under pressure from a private survey showing that consumer sentiment worsened in August.

European stock futures lower.

European stock markets are expected to slip lower at the open Tuesday, as investors digest the latest German inflation indications in the wake of disappointing Chinese trade data.

German annual inflation slows in July

Germany started the week's key inflation releases from around the globe, with data released earlier Tuesday showing that consumer prices in Europe's largest economy increased 0.3% on the month in July, matching the June number.

The annual figure fell to 6.2% from 6.4% the prior month, an indication that prices are falling in the eurozone's most important economy, something that could persuade the European Central Bank to pause its prolonged tightening cycle at its next policy meeting in September.

All eyes on ChatGPT-maker's Worldcoin.

Worldcoin has no problem attracting eyeballs. More than 2.2 million people have signed up, getting their irises scanned in exchange for a digital ID and, in some countries, free crypto.

The new project from ChatGPT founder Sam Altman aims to create a blockchain-based "identity and financial network". Its native coin WLD has kept a steady price between \$2 and \$2.50 since its launch on July 24, thus far spared the "pump-and-dump" trajectory of many new crypto tokens.

The investor jury is out on Worldcoin's prospects, according to Gordon Grant, co-head of trading at Genesis Trading, which isn't offering the token to clients yet.

"There are folks that have really taken a view about this project, both with the positive and negative side," he said.

Worldcoin's white paper on its website says that, over the next 15 years, a total of 10 billion of the tokens will be released into the market. The circulating supply was 120 million tokens on Monday, data from market tracker CoinGecko shows, around 1.2% of the total planned future supply.

Some tech players are enthusiastic about Worldcoin's plan to provide a digital ID system based on what it calls "proof of personhood" with the project backed by investors including Andreessen Horowitz.

PitchBook analyst Robert Le said there were several startups trying to build blockchain-based digital identity systems, but none on Worldcoin's scale.

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